

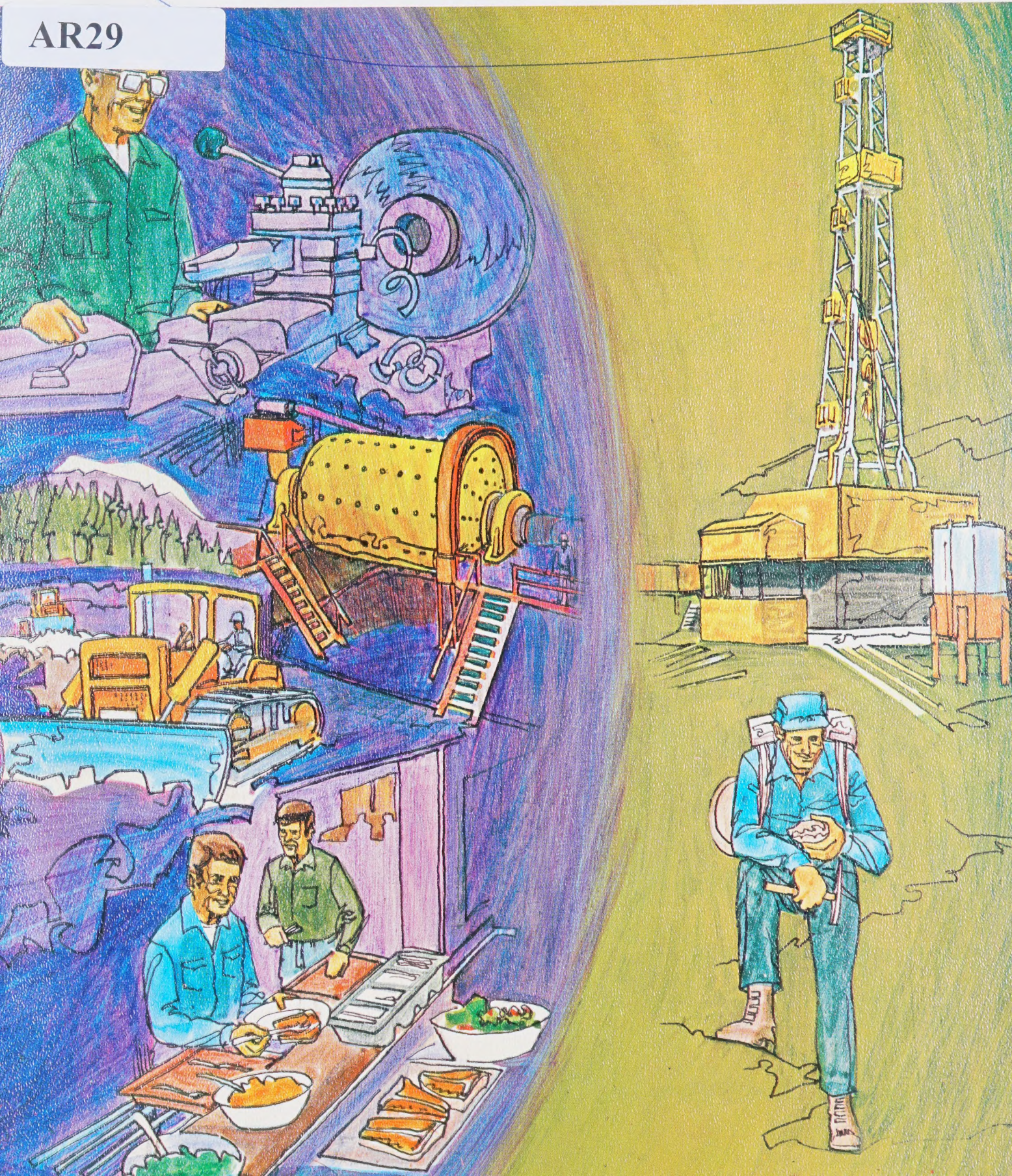
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Annual Report 1972

BRALORNE RESOURCES LIMITED

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REGISTERED OFFICE

1005 Two Bentall Centre
555 Burrard Street, Vancouver 1, B.C.

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
Vancouver, Toronto and Montreal

CO-TRANSFER AGENT

The First Jersey National Bank
Jersey City, New Jersey, U.S.A.

SHARES LISTED

Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Price Waterhouse & Co.
Vancouver, B.C.

BANKERS

The Bank of Nova Scotia
Vancouver, B.C.

SOLICITORS

Douglas, Symes & Brissenden
Vancouver, B.C.

Edison, Aird & Berlis
Toronto, Ontario

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The Company has 7,000 shareholders.

Canadian shareholders should note that the Valuation Day (December 22nd, 1971) quotation for the Company's shares as determined by the Department of National Revenue, Taxation is \$1.75.

The Annual General Meeting of Shareholders will be held in the Bayshore Inn, Vancouver, B.C. on Wednesday, May 2nd, 1973 at 10:00 AM.

BRALORNE RESOURCES LIMITED

*Incorporated under the laws of the Province of British Columbia
Capital: 7,500,000 Shares without Nominal or Par Value*

DIRECTORS

- ***Douglas A. Berlis**, Q.C., Toronto, Ontario
Partner, Edison, Aird & Berlis
- ***F. William Fitzpatrick**, Vancouver, British Columbia
President, Bralorne Resources Limited
- Pemberton Hutchinson**, Billings, Montana
President, Westmoreland Resources
- ***John L. Kemmerer, Jr.**, New York, New York
President, The Kemmerer Corporation
- E. B. Leisenring, Jr.**, Philadelphia, Pennsylvania
President, Penn Virginia Corporation
- Clifford S. Malone**, Montreal, Quebec
President, Canron Limited
- ***Paul Porzelt**, New York, New York
Chairman of the Board, Bralorne Resources Limited
- Peter A. Revell-Smith**, London, England
Chairman, Sterling & Overseas Investments Limited
- Malcolm D. Richardson**, Toronto, Ontario
Consultant, Reed Shaw Osler Limited
- **Member, Executive Committee*

OFFICERS

- Paul Porzelt**, *Chairman of the Board*
- F. William Fitzpatrick**, *President*
- Douglas A. Berlis**, Q.C., *Vice-President*
- John R. Croll**, C.A., *Vice-President, Finance*
- P. Stuart Grant**, P.Eng., *Vice-President, Barber Group*
- Peter G. Wiseman**, *Secretary*
- Paul N. Toogood**, C.A., *Comptroller*

DIVISIONS & OPERATING SUBSIDIARY COMPANY

- Barber Industries
Calgary, Alberta
P. Stuart Grant, *President*
- Bruce Rome Construction
Dawson Creek, B.C.
Clifford A. Skaar, *General Manager*
- Crown Caterers
Edmonton, Alberta
Donald H. Cloughton, *President*
- Eagle Industries Limited
Vancouver, B.C.
K. Bruce Rome, *President*



F. W. Fitzpatrick, President

Paul Porzelt, Chairman

To the Shareholders:

The substantial improvement in sales, cash flow and net earnings recorded by the Company in 1972 reflects the inclusion, for the first time, of the sales and earnings of Barber Machinery Co. Limited and the Eagle Industries Limited group of companies both of which were acquired in the last week of 1971 and therefore were not included in the 1971 results.

The initial effect of these acquisitions on your investment in the Company is clearly evident in the comparison of 1972 net earnings and cash flow per share performance with the previous year. In 1972 the Company recorded net earnings of \$1,017,646 or 21¢ per share as compared with \$195,425 or 4¢ per share in the previous year. Cash flow from operations before current income taxes in 1972 of \$1,537,509 or 32¢ per share was up \$1,282,273 or 26¢ per share from the level experienced in 1971.

1972 earnings and operating cash flow recorded by the companies acquired at the end of 1971 were slightly below the level experienced in the previous year despite the attainment of record sales levels by both Barber Industries and Crown Caterers Co. Ltd. Escalating labour and material costs tended to offset the favourable effect of sales growth. Price increases introduced late in the fourth quarter are expected to contribute to an improved performance by these units in 1973.

Several administrative and legal steps were taken during the year to complete the integration of the acquired companies. In June, Barber Machinery Co. Limited became a division of the Company to be known henceforth as "Barber Industries a part of Bralorne Resources Limited".

After careful study it was decided that some of the Eagle Industries Limited units did not fit the Company's long-term plans. Two subsidiaries with small scale operations in the catering and car wash fields were sold and other inactive subsidiaries were liquidated. The remaining major operations of Eagle Industries Limited, namely Crown Caterers Co. Ltd. and Bruce Rome Construction Ltd., became separate divisions of Bralorne Resources Limited, effective January 1, 1973.

In 1973 the Company intends to expand its petroleum support activities through participation in the contract transportation business in the rapidly expanding Mackenzie Delta region. Contracts have been awarded for the construction of two river tugs and four river barges with operations to commence with the opening of the 1973 summer navigation season.

Your Company's major mineral exploration thrust in 1972 was directed toward the Savanna Creek coking coal property in southwestern Alberta where a further \$175,000 program was undertaken on behalf of the investing syndicate. A 50 claim block in the Robb Lake area of British Columbia, in the general vicinity of the Barrier Reef-Texas Gulf lead-zinc find, was acquired and preliminary geochemical evaluation completed. All other previously acquired mineral claims were maintained in good standing.

In view of the rapid increase and continuing optimism in respect to the price of gold, your Company's 1973 mineral exploration program will be largely dedicated to a re-evaluation of the former Bralorne Pioneer gold mine complex. Preliminary geological studies have been completed and a drilling program aimed at exploring several target areas in the upper levels of the existing workings is in the design stage. A start in the second quarter is planned.

The Company's mining production efforts were concentrated on the Bradina Joint Venture zinc, silver and copper mine near Houston, British Columbia, which commenced start-up late in the first quarter of the year. Operation of this property has proven to be most difficult resulting in a prolonged start-up period which extended through the balance of 1972. The mine is currently operating at 500 tons per day on a continuous basis. While some cash flow is provided at this activity level, the

desired capital recovery rate will not be achieved until the 600 ton per day operation planned for 1973 is attained.

Your Company's interest in petroleum exploration and production in 1972 continued through its investment in Bracell Petroleums Limited, which company experienced another year of good cash flow growth. Total 1972 operating cash flow was \$828,078, up \$121,390 from the previous year. You are reminded that Bralorne did not consolidate its 48% interest in this cash flow.

In 1973 Bralorne intends to establish a direct participation in petroleum exploration and production either through acquisition of existing companies or establishment of its own oil and gas division.

Your Directors look forward optimistically to 1973 and subsequent years, believing that natural resource development will continue to expand, particularly in the Arctic and Mackenzie Delta area. However, this optimism must be tempered by recent or proposed legislative action by federal or provincial governments which may well discourage investment in resource development or unduly restrict such activities.

On September 30, 1972 Mr. George H. Davenport retired from his position as Vice-Chairman of the Board after 39 years' association with the Company, eight years of which were served as President. Mr. Davenport was responsible for the Company's entry into the petroleum field in 1963 and the initial investments provided a base for subsequent growth into the present substantial investment in Bracell Petroleums Limited. The contribution of Mr. Davenport to the Company is gratefully acknowledged.

1972 was in many ways a difficult year for the staff of the Company in terms of the challenges associated with the start-up of new operations and the integration of the 1971 acquisitions. The Directors wish to particularly acknowledge the efforts and loyalty of all employees, both new and old, during this transitional period.

On Behalf of the Board,



Paul Porzelt
Chairman

F. W. Fitzpatrick
President

March 8, 1973



P. G. Wiseman, Secretary
P. N. Toogood, Comptroller
J. R. Croll, Vice-President, Finance

FINANCIAL REVIEW

The financial results of operations for the year 1972, as presented in the accompanying consolidated balance sheet and statements of earnings and source and disposition of working capital, reflect a full fiscal period incorporating earnings of the subsidiary companies acquired in December, 1971. The acquisitions were consolidated for balance sheet purposes as at December 31, 1971, and comparison with December 31, 1972, is valid; however, the statement of earnings comparison of 1971 and 1972 results is not meaningful because 1971 did not reflect the results of the operations of the acquired companies, as acquisition was effected only at the end of the fiscal year.

In 1972, the Company had net earnings of \$1,017,646, or 21¢ per share, on the basis of consolidated results; in 1971, the unconsolidated earnings were \$195,425, or 4¢ per share.

The dramatic increase is fully attributable to the acquired operations as the Company had no other material change in its sources of revenue. Sales revenue was derived from the principal divisions as follows:

Barber Industries.....	\$ 9,344,000	58.3%
Crown Caterers.....	5,112,000	31.9
Bruce Rome Construction....	1,434,000	8.9
Other Sources.....	140,000	.9
	<u>\$16,030,000</u>	<u>100.0%</u>

During the year, certain lesser subsidiary companies which did not fit in with other operating divisions were sold for substantially the cost of investment. Sales revenues, costs and earnings of these companies were included in interim reports to shareholders, but are not reflected in the accompanying financial statements.

For the year, your Company reflected \$82,671 as its interest in the retained earnings of Bracell Petroleum Limited (formerly Bralorne Oil & Gas Limited). The Company's investment remained constant at 2,041,295 shares, which represented 54% of the outstanding capital stock at December 31, 1971. During 1972, Bracell issued additional treasury shares in accordance with its share option agreement with Celanese Resources Limited, with the result that your Company's interest was reduced to 48% as at December 31, 1972. Additional commentary is provided in Note 3 to the financial statements.

Interest on bank borrowings to make the 1971 acquisitions amounted to \$300,000 which was substantially more than offset by the earnings of the acquired companies.

The accompanying statements reflect your Company's participation in the Bradina Joint Venture only to the extent of its direct investment amounting to \$3,504,568, an increase of \$2,179,625 during 1972. As the Venture was considered to be in a pre-production stage for 1972, no profit or loss is reported.

Your attention is directed to Note 11 to the financial statements and the reference thereto in the Auditors' Report. The note sets out technical commentary on a change the Company has decided to make with respect to the question of providing for deferred taxes on current income. In most instances, taxable companies apply, for tax purposes, maximum allowable amortization of expenditures to minimize current taxes, although part of such expenditures may be properly amortized in the reported accounts of the company over a longer period in order to relate the expenditure more accurately with future income. It has been advocated by some accounting authorities that provision for income taxes should be based on the reported earnings for the year and that when timing differences occur between accounting income and taxable income, income taxes should be accounted for on the tax allocation basis. The amount by which income tax calculated on this basis exceeds taxes currently payable is considered to represent the deferring to future periods of a benefit obtained currently. The suitability of this accounting treatment for natural resource entities, particularly those in the extractive industries, is not accepted by your Company. A company such as Bralorne is continually engaged in exploration for base, precious, industrial and petroleum minerals, and, as a consequence, undertakes expenditures on a current basis which must be related to future income which is expected but not assured. There is no disagreement that it is proper to apply the expendi-

tures at the earliest possible time to extinguish actual tax liabilities while concurrently deferring their amortization in presenting the accounts of the Company. However, it is the opinion of your management that it is not warranted, given the nature of our business, to make a provision in the current year's operations to provide for a tax liability which does not currently exist and may well never materialize. This method of interpretation and presentation is consistent with that of most of the oil and gas exploration companies in Canada, at least with respect to exploration expenses. Your Company has applied this presentation to all amortized expenses, including depreciation, with the result that no provision was made for deferred income taxes of approximately \$200,000 in respect of exploration expenditures and \$141,000 in respect of depreciation and other charges. As Bralorne has been engaged in the extractive industry for the past forty years and intends to be so engaged in the future, it has decided to adopt an accounting presentation which will present more accurately the annual and aggregate financial position of your Company.

As anticipated in the 1971 Annual Report, the acquired subsidiaries were converted into direct divisions of Bralorne for improved efficiency. The conversion of the subsidiaries was not achieved until mid-year in the case of Barber Industries, or until year end in the case of the Eagle group of companies, and some tax on current income was incurred. As the Company has a substantial backlog of business losses and exploration and development costs to be applied against future income, it is expected that no income taxes will be exigible for some years.

At the present time, the Company enjoys a sound financial position and is well established to participate in further growth opportunities.

SUMMARY OF CASH FLOW AND NET EARNINGS

	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>	<u>1968</u>
Cash Flow					
Before taxes.....	\$1,537,509	\$255,236	\$527,434	\$632,811	\$685,214
Per share.....	31.7¢	5.3¢	10.9¢	13.0¢	14.1¢
After taxes.....	\$1,328,282	\$255,236	\$527,434	\$632,811	\$685,214
Per share.....	27.4¢	5.3¢	10.9¢	13.0¢	14.1¢
Net Earnings					
Before taxes.....	\$1,226,873	\$195,425	\$ (66,284)	\$ (64,031)	\$361,302
Per share.....	25.3¢	4.0¢	(1.4¢)	(1.3¢)	7.4¢
After taxes.....	\$1,017,646	\$195,425	\$ (66,284)	\$ (64,031)	\$361,302
Per share.....	21.0¢	4.0¢	(1.4¢)	(1.3¢)	7.4¢

Restated to exclude extraordinary item of \$206,585 in 1968 and to exclude provision for deferred income taxes.

GENERAL REVIEW

RESOURCE SUPPORT ACTIVITIES

Overall, these activities, new to Bralorne in 1972, contributed over \$16 million to revenues for the fiscal year. This is in line with our expectations when the acquisitions were made at the end of 1971.



*P. S. Grant, President,
Barber Industries
C. W. Johnson, Vice-President
A. W. Campbell, Comptroller
E. H. Brennan, Calgary Operations
Manager
J. D. Matthews, General Sales Manager*

Barber Industries

In 1972 net sales amounted to \$9,343,812 compared with \$8,818,945 during the previous year.

The prime source of business and growth of Barber has been the petroleum industry which it is well located to serve, with plants in Calgary and Edmonton, Alberta, employing about 350 persons. Together, these represent one of the largest metal fabricating operations in western Canada. In addition to a wide range of products, Barber offers comprehensive repair facilities at both plants and is equipped with mobile units to service customers in the field where necessary. The marketing area for petroleum industry products continues to grow and during 1972 wellhead and other equipment was exported to India.

New emphasis is now being placed on servicing the mining industry and Barber has customers in coal mining in the Crowsnest Pass and in the copper

and molybdenum mines in the Highland Valley of British Columbia. Potential for growth is considered excellent and recently, enquiries have come from as far east as Newfoundland and as distant as Peru.

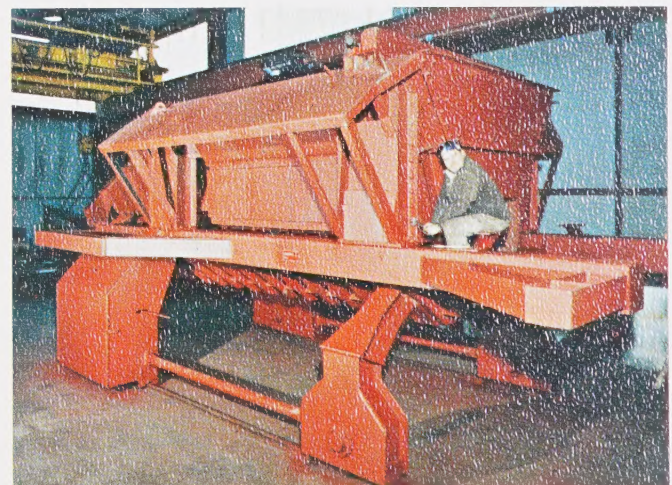
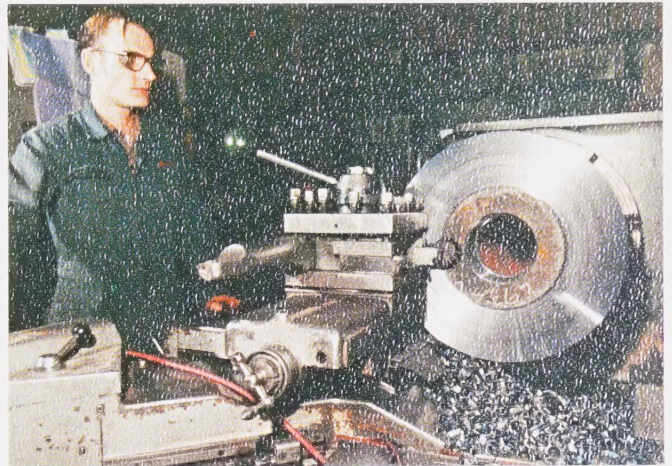
In other fields, Barber manufactures a great variety of products including such things as standard and high-mast lighting structures, highway directional signs, and balls for vehicle trailer hitches.

The highest calibre of engineering competence and product performance is the Barber standard and this is backed by an engineering department specializing in research, design and development. Some recent innovations were:

The assembly of acid and cement units used in the completion and reworking of oil and gas wells on one truck rather than having one for each. Five of these units were recently ordered.

A hopper car used in the tar sands where petroleum is, in effect, mined. More than 5,000 tons per hour are excavated by a bucket wheel and pass through the hopper car onto a conveyor belt which carries the sand to the extraction plant.

Aluminum pallets and skid-mounted 6,000 gallon fuel containers designed to fit into the Hercules aircraft with which Pacific Western Airlines services the north.



From upper right:

Machining an oilwell casing head

Aluminum pallet and fuel container for Hercules aircraft

Tar Sands hopper car

Bruce Rome Construction

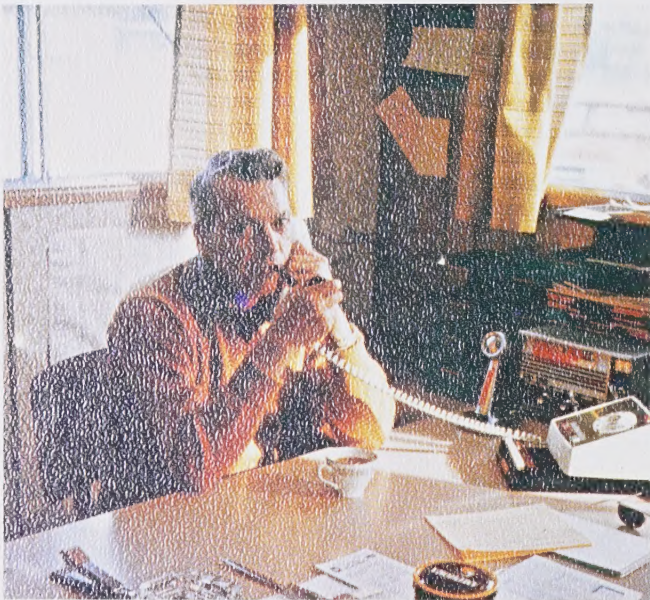
Operating revenues totalled \$1,434,156 in 1972, an increase of about 10% over 1971.

This division is primarily active in seismic line cutting and road building in northern Canada. Activities in these areas are limited to the winter months when frozen ground and water provide adequate support for the necessary equipment, and in a typical winter season 1,500 to 2,000 miles of seismic lines are cut. These form the base lines to be traversed by geophysical equipment in the search for petroleum and natural gas deposits. In summer the innumerable lakes and watercourses and the muskeg or swampy nature of the ground make travel away from the major rivers virtually impossible except by air.

About sixty men are employed to operate 24 crawler tractors, 2 graders, 6 scrapers and 15 trucks. The activity of this division is limited by the amount of equipment, which is fully committed during winter months. Efforts are being made to develop new contracts with mining companies which would provide better continuity of operations on a year round basis. Recent improvements in world copper prices have brought indications of the opening, or re-opening, of mines in the Fort Nelson area.

This division also contracts for public highway construction including a portion of a major new road to connect Fort Nelson with Fort Simpson in the Northwest Territories.

C.A. Skaar, General Manager



Road construction

Seismic line

Crown Caterers

Similarly, the activities of this division are concentrated in the winter months, serving many major oil companies in the far north. At the peak of the 1972-1973 winter season about 120 camps were operating, serving 1,400 men daily. Thirty-one of these camps were above the Arctic Circle with nine on individual Arctic islands and a rather unique one on an artificial island built in the Beaufort Sea to serve as a drilling platform. The main base for operations is in Edmonton and to better serve its customers, a sales office was opened in Calgary and a storage warehouse and office facility was put into operation at Inuvik near the Arctic Coast.

1972 was a year of extraordinary growth for this division with over 1.2 million meals being served and sales growing from \$3,274,153 in 1971 to \$5,111,924. Earnings increased but did not keep pace with sales, being adversely affected by substantial increases in the costs of labour and supplies. Price increases, now effective, will offset cost increases to some degree but it appears that inflation will be a continuing problem.



*D. H. Cloughton, President (seated centre) with from right.
K. J. Key, Comptroller
W. R. Spencer, General Manager
B. A. Cole
M. Piscia
L. J. Galenza*

Crown Caterers' camps in the Inuvik area



MINING & EXPLORATION

Bradina Joint Venture

The Bradina Joint Venture is comprised of Nadina Explorations Limited (N.P.L.), Pacific Petroleum Ltd. and Bralorne Resources Limited. Bralorne and Pacific undertook to place the property of Nadina into production and construction was started in the late summer of 1971. Construction of the mill and surface facilities was substantially completed in the spring of 1972, although certain modifications requiring capital expenditures were made during the balance of the year. The nature of the ore body and the complexity of the mineralization has required considerable experimenting with methods of mining and milling, making it difficult for either mine or mill to achieve full productivity and efficiency. These difficulties were compounded with problems of recruiting an adequate and experienced work force, and there was extensive turnover of personnel during the year.

It was considered that the property did not achieve a satisfactory level of production and efficiency during 1972, and, for this reason, the period has been treated in its entirety as a pre-production phase. The value of concentrates produced during this period has been treated as a pre-production credit.

Note 4 to the Company's financial statements presents a condensed balance sheet and statement of net pre-production costs of the Joint Venture.

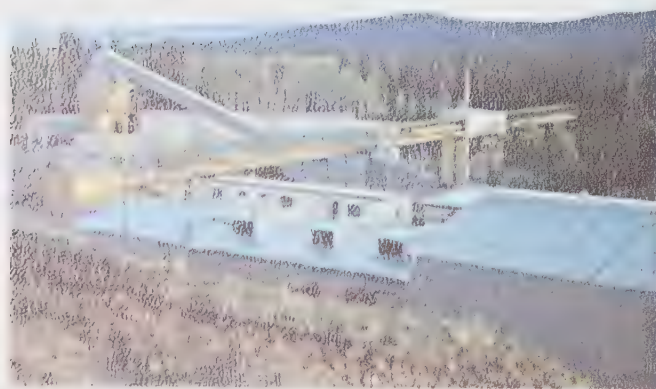
The following are the production statistics from tune-up in mid-March to December 31, 1972.

Tons of ore broken.....	154,207
Tons milled.....	111,024
Tons of copper concentrate produced.....	1,316
Tons of zinc bulk concentrate produced....	9,226
Average tons milled per operating day.....	550
Average tons milled per possible operating day.....	373

A number of mining methods were tried to accommodate the varying nature of the ore veins, including shrinkage stoping and open stoping methods. Currently, cut and fill utilizing talus fill from surface is being used together with some open stull and open square set where conditions require.

The milling circuit is substantially stabilized but continuing tests are carried out to maximize recoveries. A study is being conducted to re-examine the economics of a pyrite circuit to recover a greater percentage of the precious metals present in the ore.

Copper concentrate is sold under contract to a Canadian smelter and zinc bulk concentrate is sold under a five-year contract with two Japanese smelters. Details of these contracts were finalized during a most difficult transition period for the mining industry. In addition to excess production experienced throughout the world, a growing concern for environmental and ecological considerations



Bradina mine site



Paul B. Coombs of the Bank of Nova Scotia with J. R. Croll during loading of the first concentrate shipment to Japan



resulted in difficult negotiations to ensure that the concentrates could meet acceptable standards with respect to contained deleterious elements. At the same time, international currency revaluations acted detrimentally on these negotiations, and higher treatment charges were incurred in order to conclude satisfactory contract arrangements.

Concurrently with production at the property, exploration was carried out on mineral claims held by the Venture adjacent to the existing mine. This work consisted of both surface and underground drilling with the objective of extending the known ore veins containing present reserves and also to search for new veins which could show new mine potential. Results have been encouraging and additional exploration work is planned for 1973.

Investment in the project has been greater than originally estimated with respect to capital installation, and operating costs have been higher because of the difficulties in attaining efficient levels of

productivity. Some disruption in shipments was experienced when a fire destroyed the dock at Prince Rupert in June of 1972 and a load of concentrates due for shipment the following month was lost. The concentrates were fully insured and final settlement is expected in the near future. Alternative arrangements have been made to ship from the Port of Vancouver, and these facilities will be used for the foreseeable future.

It is estimated that the property is now on a self-sustaining basis and will require only interim working capital financing of inventories and smelter settlements receivable. The labour force is at full strength, and 1973 is expected to show improved results. The current, strong price of base and precious metals is important to the economics of the Venture. Additionally, the project will be particularly sensitive to the imposition of any new provincial taxes or royalties.

SUMMARY OF ORE RESERVES

	December 31, 1972						December 31, 1971					
	Tons	Gold oz/ton	Silver oz/ton	Copper %	Lead %	Zinc %	Tons	Gold oz/ton	Silver oz/ton	Copper %	Lead %	Zinc %
Proven	214,200	0.09	7.82	0.60	1.29	5.90	204,305	0.10	10.02	0.81	1.62	6.31
Probable	224,100	0.09	8.08	0.59	2.03	6.69	347,345	0.10	9.94	0.72	2.41	7.36
TOTAL	438,300	0.09	7.96	0.59	1.67	6.30	551,650	0.10	10.00	0.76	2.10	6.96

During the year, 83,763 tons were mined from the proven and probable reserves and, in addition, 108,050 tons were deleted following mining experience. In the same period, 78,463 tons were added to the reserves for a net change of 113,350 tons in the proven and probable categories. There was a slight increase in possible reserves from 502,000 tons to 508,000 tons.

Base Metals

During the year, exploration was limited to new work undertaken in an area of developing interest in British Columbia.

There are no developments to report with respect to the Kowkash, Ontario, iron property under lease to The Algoma Steel Corporation, Limited. Demand for iron and steel is currently increasing but production of iron ore pellets from the Kowkash property depends on its economics compared to other sources of supply. The mandatory advance annual royalty payment of \$200,000 was received in accordance with the lease agreement which is described in Note 8 of the financial statements.

No work was carried out on the Foster River uranium claims in Saskatchewan or on the Gataga

River copper claims in British Columbia. Your Company has net 63.125% and 60.625% interests, respectively, in these properties. Uranium production continues to exceed demand and there is no encouragement for further work on these claims for the time being. Work done in prior years will maintain the claim blocks in good standing until 1978. The development of mining properties in the Gataga River area will depend on economics influenced by a combination of metal prices and operating costs in this remote area. If the present high prices for copper can be sustained over a reasonable period of time, and transportation facilities in northern British Columbia are developed in the not too distant future, the Gataga River copper prospect can hold considerable promise. Additional work will be required in 1973 to maintain these claims in good standing beyond 1974.

During the year, the Company considered a number of submissions of prospects for examination in western and northern Canada. A 50 claim block in the Robb Lake area of British Columbia was taken under option and a field program of geochemical and soil testing was carried out. The claims overlay a regional trend of mineralized reefs in the Middle Devonian formation. Mineralization is predominantly lead and zinc similar to the deposits in the Pine Point area. The area is presently receiving considerable interest from a number of companies. The results of 1972 field work are being evaluated to determine the nature and extent of our interest in carrying out additional work independently or in participation with others in a larger program.

Coal

Your Company holds a net 63.125% interest in the Savanna Creek coking coal prospect located about 66 miles southwest of Calgary, Alberta. This interest is held through the Can-Fer Exploration Syndicate in which Bracell Petroleums Limited and Pacific Petroleums Ltd. also participate. The prospect comprises a northern block of 5,120 acres, after surrendering 14,080 acres during the year, and a southern block comprising 3,200 acres.

The 1972 program was carried out on the southern block and was planned to bring the property to a point where a preliminary feasibility report could be prepared. Two adits were driven to obtain more coal for bulk sampling purposes and four diamond drill holes were completed for a total of 2,822 feet. The holes were geophysically logged and obtained additional geological data and information regarding coal intersections at depth. All work, including reclamation work, was carried out in accordance with the requirements of the Alberta Government. By the end of 1972, in addition to geological surveys, general prospecting and trenching, a total of five adits had been driven and 5,064 feet of diamond drilling completed on the south block.

This work has been reviewed by Paul Weir Company, of Chicago. It is indicated that based on these studies, current coal prices do not justify additional development work on the properties and 1973 work will be limited to meeting reclamation requirements. The property is considered to be a valuable asset but one requiring improvement in markets and operating and transportation economics. Efforts will be directed to improving potential through integration with other coal operations in the area to achieve overall economies of scale.

PETROLEUM

At the year end the Company's holding of 2,041,295 shares of Bracell Petroleums Limited, formerly named Bralorne Oil & Gas Limited, represented 48% of the issued shares of that company.

The strong cash flow growth of Bracell was continued with substantial increases in oil and gas production. During 1972 the exploration and acquisition programs were expanded significantly. Important petroleum and natural gas rights were added in selected areas of the Prairie Provinces and southern Ontario. In addition, offshore acquisitions were made in the Celtic Sea off the southwest coast of England and in the Netherlands North Sea, a centre of current exploration activity. Geophysical surveys and reinterpretations were undertaken throughout the western Provinces, Ontario, the Canadian East Coast, onshore England and offshore Ireland. Exploration drilling operations expanded eastward in Canada to include southern Ontario and Quebec.

During the year Bracell participated in 74 exploratory and development wells of which 37 were completed as oil wells and 4 as gas wells.

Field camp at Savanna Creek serviced by Crown Caterers



Bracell Petroleums Limited Highlights

	1972	1971	Increase (Decrease)
NET PRODUCTION			
Oil production, barrels	547,796	429,313	28%
Daily average, barrels	1,497	1,176	
Gas production, MCF	2,143,766	1,276,129	68%
Daily average, MCF	5,857	3,500	
SALES & EARNINGS			
Crude oil and natural gas sales	\$ 1,807,845	\$ 1,407,426	28%
Management fees earned..	185,413	189,877	(2%)
Cash flow from operations	828,078	706,688	17%
Depletion and depreciation	584,326	405,194	44%
Net income (Note 1)	235,641	291,266	(19%)
Cash flow per share*	21¢	20¢	
Net income per share*	6¢	8¢	
LAND HOLDINGS			
Gross acres (Note 2)	6,589,242	7,593,839	(13%)
Net acres	1,218,514	1,160,139	5%
Overriding royalty acres	1,440,874	1,439,573	
NET RESERVES			
Oil and Condensate, barrels			
Proven.....	6,477,800	5,763,600	
Probable	26,000	428,600	
Total.....	6,503,800	6,192,200	5%
Natural gas, MCF			
Proven	67,339,000	44,575,000	51%

*Based on the average number of shares outstanding.

NOTES

1. The decrease in net income was primarily due to the increase in the depletion rate resulting from the large investments made by Bracell for the acquisition of petroleum and natural gas rights which are not presently producing but have potential for future production.
2. The reduction in gross acreage was primarily in the Hudson Bay area.



CORPORATE DEVELOPMENT — 1973

In mid 1971 your Company embarked on a three phase plan for corporate growth. The first step involved the acquisition of established and growing companies with good income records which operate in or serve the Canadian petroleum and mining industries. The purpose of this step was to combine these companies with the then existing operations into one corporate entity to provide the stable income and cash flow base required for an expanded exploration program.

At the end of 1972 this first phase was basically complete with all acquired profit centres now operating as divisions of Bralorne Resources. The Company is about to embark on step two, an expanded petroleum exploration program and, to a lesser extent step three, expansion of its mining exploration effort.

It is your Company's intention to acquire a meaningful direct stake in the petroleum industry during 1973. A significant portion of the cash flow from operations will be dedicated to this effort. The program would be carried out by a separate oil and gas division or a controlled subsidiary of the Company. Operations will be primarily in western Canada but may include land acquisitions on a global scale where considered suitable. In order that the Company's interests in the petroleum industry may be fully co-ordinated, consideration is being given to the future role of Bralorne's investment in Bracell Petroleums Limited.

In the area of mining exploration your Company expects to concentrate its efforts in 1973 on a re-evaluation of the Bralorne Pioneer gold mine claims in the vicinity of the original workings. There are large areas of unexplored and untested ground on both the upper and lower levels of the old workings, which potential target areas are made more attractive by the recent rapid increases in gold prices.

Independent consulting reports have been completed and a drilling program for 1973 is being developed. Indications are that the program will be underway in the second quarter.

Petroleum exploration



P. J. Weishaupt, Exploration Manager (Mining)

J. C. Mitchell, Project Engineer

J. S. Thomson, Assistant to the President

While the primary thrust of the Company in 1973 will be toward expanding its petroleum and mining exploration efforts, additional attractive opportunities to expand its natural resource support divisions will also be pursued. In this respect the development of a Mackenzie Delta contract transportation operation is currently in process. Contracts for the construction of two river tugs and four river barges have been let by the Company's wholly-owned subsidiary, Eagle Industries Limited. These units are expected to be completed and launched in early May. Consideration is being given to inviting direct public investment in Eagle Industries Limited to provide additional funds for effective participation in the anticipated rapid growth in the sphere of Arctic transportation.

In addition to establishing new support activities, the profitable expansion of the Barber and Eagle Groups will continue to be pursued by their management teams.



Bruce Rome, President of Eagle Industries Limited reviews construction progress with the builder



At left, one of our tugs begins to take shape

ASSETS

	December 31	
	1972	1971
CURRENT ASSETS:		
Cash	\$ 285,732	\$ 1,034,416
Accounts receivable.....	3,584,491	3,372,235
Marketable securities (Notes 2 and 6).....	155,196	—
Amount recoverable from oil production.....	250,091	—
Inventories, consisting principally of raw materials, stores and supplies, at the lower of cost and net realizable value.....	1,627,818	1,580,416
Prepaid expenses and other assets.....	137,362	55,977
	<u>6,040,690</u>	<u>6,043,044</u>
INVESTMENT IN BRACELL PETROLEUMS LIMITED (Note 3).....	<u>2,175,899</u>	<u>2,093,228</u>
INVESTMENT IN BRADINA JOINT VENTURE (Note 4).....	<u>3,504,568</u>	<u>1,324,943</u>
OTHER ASSETS:		
Long-term receivable (Note 5).....	875,000	1,050,000
Sundry investments and advances (Note 6).....	69,318	368,462
Deferred exploration expenditures (Note 7).....	579,856	450,983
	<u>1,524,174</u>	<u>1,869,445</u>
CAPITAL ASSETS:		
Mining properties leased to The Algoma Steel Corporation, Limited under royalty agreement, at cost (Note 8).....	203,255	203,255
Mining properties and other assets at Bralorne, B.C.....	23,087	113,009
Other capital assets, at cost less accumulated depreciation (Note 9).....	5,158,815	5,322,790
	<u>5,385,157</u>	<u>5,639,054</u>
INCORPORATION AND ORGANIZATION COSTS OF SUBSIDIARIES	<u>—</u>	<u>80,792</u>
EXCESS OF COST, LESS AMOUNT ALLOCATED TO REVALUATION OF CAPITAL ASSETS, OVER NET BOOK VALUE OF ACQUISITIONS (Note 1).....	530,393	385,752
SIGNED ON BEHALF OF THE BOARD:		
Paul Porzelt, Director		
F. W. Fitzpatrick, Director		
	<u><u>\$19,160,881</u></u>	<u><u>\$17,436,258</u></u>

Certain 1971 figures have been restated as explained in Note 11 and other figures have been reclassified for comparison with 1972.

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31	
	1972	1971
CURRENT LIABILITIES:		
Bank loans (Note 10).....	\$ 2,081,089	\$ 268,517
Accounts payable and accrued liabilities.....	1,659,989	2,014,674
Income taxes payable.....	268,628	107,344
Long-term debt due within one year.....	64,501	291,190
	<u>4,074,207</u>	<u>2,681,725</u>
LONG-TERM DEBT:		
Term bank loan, secured, with interest at 1½% above prime rates, repayable in equal annual instalments of \$800,000 commencing in 1974 (Note 10).....	4,000,000	4,000,000
Deferred purchase consideration arising from acquisition of subsidiaries (Note 1).....	2,212,850	2,212,850
5% mortgage maturing in 1980 and repayable in monthly instalments.....	446,864	473,864
Other secured liabilities.....	23,378	645,860
	<u>6,683,092</u>	<u>7,332,574</u>
Less: Amount due within one year.....	64,501	291,190
	<u>6,618,591</u>	<u>7,041,384</u>
DEFERRED INCOME TAXES (Note 11).....	—	10,396
MINORITY INTEREST IN SUBSIDIARY.....	—	173,075
	<u>10,692,798</u>	<u>9,906,580</u>
SHAREHOLDERS' EQUITY:		
Share capital (Note 12):		
Authorized — 7,500,000 shares of no par value		
Issued — 4,851,710 shares.....	5,930,428	5,930,428
Retained earnings (Note 11).....	2,537,655	1,599,250
	<u>8,468,083</u>	<u>7,529,678</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Note 13)		
	<u>\$19,160,881</u>	<u>\$17,436,258</u>

AUDITORS' REPORT

To the Shareholders of Bralorne Resources Limited:

We have examined the consolidated balance sheet of Bralorne Resources Limited and its subsidiaries as at December 31, 1972 and the consolidated statements of earnings and retained earnings and source and disposition of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

As explained in Note 11, the companies have discontinued the practice of providing for deferred income taxes and have adopted the practice of providing in the accounts only for the taxes payable on taxable income for the year. This accounting treatment is not in accordance with the recommendations of the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants. The change has been made with retroactive effect, as is appropriate in the circumstances. If the companies had followed their previous practice, provision for deferred income taxes for the current year would have amounted to \$341,000 and consolidated earnings for the year would have been reduced by the same amount (\$.07 per share), deferred income taxes accumulated to December 31, 1972 would have amounted to \$842,000, and consolidated retained earnings would have been less by \$324,000.

In our opinion, except for the discontinuance in the companies' practice of providing for deferred income taxes and its effects as set out in the preceding paragraph, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and disposition of their working capital for the year then ended in accordance with generally accepted accounting principles applied, except with regard to deferred income taxes, on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 6, 1973

Price Waterhouse & Co.
Chartered Accountants

STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year ended	
	December 31	
	1972	1971
	(consolidated)	(as a corporation — Note 1)
REVENUES:		
Sales of products and services.....	\$16,030,467	\$ 756,552
Interest.....	350,225	226,476
Other income, including profit on sale of investment.....	138,616	22,799
Royalty income (Note 8).....	200,000	200,000
Oil production revenue.....	199,909	—
Management charges to others.....	205,043	167,814
Increase in share of retained earnings of Bracell Petroleums Limited (Note 3).....	82,671	141,637
	<u>17,206,931</u>	<u>1,515,278</u>
 COSTS AND EXPENSES:		
Cost of sales and services.....	12,748,814	762,503
Administrative and general.....	2,160,959	353,831
Interest on long-term debt.....	324,860	—
Other interest.....	111,524	2,071
Depreciation.....	415,236	59,088
Depletion.....	199,909	62,277
Mining exploration costs (Note 7).....	18,756	80,083
	<u>15,980,058</u>	<u>1,319,853</u>
Earnings before income taxes.....	1,226,873	195,425
Income taxes (Note 11).....	209,227	—
Earnings for the year (Note 11).....	1,017,646	195,425
Retained earnings, beginning of year as restated (Note 11)....	1,599,250	1,403,825
	<u>2,616,896</u>	<u>1,599,250</u>
Incorporation and organization costs of subsidiaries written-off.....	79,241	—
Retained earnings, end of year.....	<u>\$ 2,537,655</u>	<u>\$1,599,250</u>
Earnings per share (Note 11).....	<u>\$.21</u>	<u>\$.04</u>

1971 earnings have been restated as explained in Note 11 and other 1971 figures have been reclassified for comparison with 1972.

STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL

	Year ended December 31	
	1972	1971 (Note)
SOURCE OF WORKING CAPITAL:		
From operations —		
Earnings for the year.....	\$1,017,646	\$ 195,425
Items not affecting working capital:		
Depreciation	415,236	59,088
Increase in share of retained earnings of Bracell Petroleums Limited.....	(82,671)	(141,637)
Other.....	(21,929)	142,360
Cash flow from operations.....	1,328,282	255,236
Proceeds from disposal of capital assets.....	350,038	214,387
Term bank loan.....	—	4,000,000
Instalment on long-term receivable.....	175,000	175,000
Disposal of subsidiaries, sundry investments and advances.....	275,237	—
Reclassification of sundry investments to current assets (Note 6)	218,653	—
Other	—	62,838
	<u>2,347,210</u>	<u>4,707,461</u>
DISPOSITION OF WORKING CAPITAL:		
Investment in subsidiary companies, including tax of \$171,467 on 1972 corporate reorganization (Note 1)	498,302	5,212,082
Expenditures for capital assets	747,689	22,117
Investment in Bradina Joint Venture.....	2,179,626	1,324,943
Exploration expenditures.....	147,628	207,273
Reduction in long-term debt, excluding amount relating to subsidiaries sold.....	168,801	—
	<u>3,742,046</u>	<u>6,766,415</u>
Decrease in working capital.....	1,394,836	2,058,954
Working capital, beginning of year.....	<u>3,361,319</u>	<u>2,901,694</u>
	<u>1,966,483</u>	<u>842,740</u>
Add: Working capital of subsidiary companies acquired..	—	2,518,579
Working capital, end of year.....	<u>\$1,966,483</u>	<u>\$3,361,319</u>

Note:

This statement is prepared for Bralorne Resources Limited as a corporation in 1971 to conform with the statement of earnings (Note 1), with working capital of subsidiary companies acquired in 1971 added to reflect the working capital position shown in the consolidated balance sheet.

Certain 1971 figures have been restated as explained in Note 11 and other figures have been reclassified for comparison with 1972.

BRALORNE RESOURCES LIMITED

(formerly Bralorne Can-Fer Resources Limited)

AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1972

1. PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements for the year ended December 31, 1972 include the accounts of Bralorne Resources Limited (Bralorne) and its wholly-owned subsidiaries, the principal of which are Eagle Industries Limited (Eagle), Crown Caterers Co. Ltd., Bruce Rome Construction Ltd., Barber Machinery Co. Limited (until its voluntary liquidation on June 30, 1972 when its assets and undertakings were transferred to Bralorne) and Engineered Oil Controls Ltd. As of January 1, 1973 the assets and operations of all subsidiaries except Eagle and Engineered Oil Controls Ltd. were merged into Bralorne.

The shares of Barber Machinery Co. Limited and Engineered Oil Controls Ltd. were acquired on December 31, 1971 for \$3,500,000 plus a contingent additional payment based on earnings of the acquired companies as explained below. Of the determinable amount payable, \$2,625,000 was paid on December 31, 1971 and the balance of \$875,000 is payable within 60 days after December 31, 1976. The deferred payment is subject to upward adjustment to the extent that 1.3 times the average combined earnings before interest and income taxes of Barber Machinery Co. Limited and Engineered Oil Controls Ltd. for the two years ended December 31, 1976 exceed \$875,000. This liability, including the indeterminate amount if any, is evidenced by debentures secured by a first floating charge upon the undertakings and assets of the company, but subordinate to security that may be created for purposes of any major financing. The 15% tax paid on the undistributed income at December 31, 1971 of Barber, to permit distribution to Bralorne of such income in the course of a corporate reorganization, amounted to \$171,467 and was treated as an adjustment of the cost of the net assets acquired.

Pursuant to an offer made on December 20, 1971, the Company acquired all of the outstanding shares of Eagle Industries Limited for \$4,050,030. Certain principal shareholders of Eagle agreed to defer 50% of the payments due to them, amounting to \$1,337,850, to December 30, 1976.

Certain shareholders, who constituted key management of the Eagle group, entered into employment contracts with Eagle and/or Bralorne for a period of five years from January 1, 1972. In addition to remuneration at normal rates during this period, these shareholders will be entitled to receive payment, by February 28, 1977, of an amount calculated as 1.65 times the amount by which the average consolidated earnings before interest expense and income tax of

Eagle for the fiscal years ending on December 31, 1975 and 1976 exceeds similar consolidated earnings for the fiscal year ended October 31, 1970.

Since these acquisitions were made at the end of the 1971 fiscal year they had no effect on the Company's net earnings for 1971 and accordingly the results of their operations were not included in the accompanying statements of earnings and retained earnings for that year. However, the assets and liabilities of the acquired companies were included in the consolidated balance sheet as at December 31, 1971. Of the excess of the cost of these acquisitions over the net book value of the assets acquired (after the restatement in respect of deferred income taxes referred to in Note 11), \$2,478,588 has been allocated to capital assets, based on appraisals made by General Appraisal of Canada Limited.

2. MARKETABLE SECURITIES:

Marketable securities consist mainly of shares in mining companies and had a quoted market value at December 31, 1972 of \$136,685.

3. INVESTMENT IN BRACELL PETROLEUMS LIMITED:

The Company holds 2,041,295 shares of, equal to a 47.7% interest in, Bracell Petroleum Limited (formerly Bralorne Oil & Gas Limited) which in 1969 concluded an exploration agreement with Celanese Resources Limited, a subsidiary of Celanese Canada Limited. This agreement as amended April 1, 1971 includes provisions whereby that company can acquire by share subscription a 50% interest in Bracell over a period not exceeding five years. Under the agreement, as amended, Celanese Resources also has the right to approve any further share issues by Bracell and is granted a further option to purchase up to 250,000 shares at \$2.00 each, for a period of six months ending no later than June 30, 1975, exercisable to the extent of the equivalent number of shares, if any, issued in the period April 1, 1971 to June 30, 1975, to parties other than Celanese Resources. To December 31, 1972, 1,625,000 shares had been issued under this agreement. The Company carries its investment in Bracell at cost plus \$335,701, representing its equity in undistributed earnings since acquisition. The quoted market value of the shares held at December 31, 1972 was \$4,899,108.

4. INVESTMENT IN BRADINA JOINT VENTURE:

The Company entered into a joint venture with Nadina Explorations Limited (NPL) to bring into production certain mining properties located near

Houston, B.C. The Company assigned one-half of its interest in the joint venture to Pacific Petroleum Ltd. and, as a result, effectively retains a 25% interest in the joint venture after recovery of its investment.

Because of a number of start-up problems with the mine and the related mill, to December 31, 1972 the joint venture has not been able to sustain production at a satisfactory level and operations to that date have been treated in their entirety as relating to the preproduction phase. The value of concentrate produced has been treated as a credit to preproduction expenses, and no profit or loss has been reflected by the Company on its interest in the joint venture operations.

Charges and credits to preproduction expenses since commencement of the project in June 1971 are as follows:

Mining and development.....	\$2,036,842
Milling.....	469,976
Surface, haulage and general.....	277,339
Mine site administration and consulting	382,196
Interest.....	495,102
Management fee.....	<u>303,830</u>
	3,965,285
Less, net value of concentrate produced	<u>1,380,261</u>
Net preproduction expenses.....	<u>\$2,585,024</u>

The balance sheet of the joint venture as at December 31, 1972 is summarized as follows:

Capital assets.....	\$3,943,087
Preproduction expenses....	2,585,024
Deferred exploration expenditures.....	81,083
Concentrate inventories, at estimated realizable value.....	639,738
Other assets.....	<u>618,474</u>
	7,867,406
Deduct:	
Short-term advances by Bralorne and Pacific.....	\$200,000
Other liabilities.....	<u>475,886</u>
	<u>675,886</u>
	<u>\$7,191,520</u>
Contributions by venturers:	
Bralorne Resources Limited.....	\$3,504,568
Pacific Petroleum Ltd.....	3,504,568
Nadina Explorations Limited (NPL).....	<u>182,384</u>
	<u>\$7,191,520</u>

5. LONG-TERM RECEIVABLE:

Under a 1968 agreement for the sale of the Company's interest in Con-Force Products Ltd., a ten-year 7% instalment debenture of that company was received on account of previous advances. The remaining instalments of \$175,000 per annum are due in November each year to 1978, the non-current portion being shown separately in the accompanying balance sheet.

6. SUNDRY INVESTMENTS:

In 1972, investments in shares of publicly traded companies, government bonds and other assets totaling \$218,653 have been reclassified from long-term to current assets.

7. DEFERRED EXPLORATION EXPENDITURES:

Exploration expenditures on mining properties continuing under examination are deferred and will be amortized against production revenue from the relevant properties or written off upon cessation of work thereon. Deferred expenditures in respect of the Savanna Creek coking coal property in southwestern Alberta to December 31, 1972 aggregate approximately \$415,000.

8. ROYALTY CONTRACT WITH THE ALGOMA STEEL CORPORATION, LIMITED:

Certain mining properties have been leased to The Algoma Steel Corporation, Limited for a period of ninety-nine years from August 1, 1965, with options to renew. Among other terms, the agreement provides for an advance annual royalty of \$200,000 for a maximum period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. However, from the commencement by the lessor of incurring expenditures to bring the properties into commercial production, no royalty shall be payable for the lesser of (1) four years or (2) the period to the date that iron ore pellets are shipped from the mining properties. These annual payments are to be applied against royalties as pellets are shipped. The annual royalty on iron ore pellets shall not be less than \$350,000. This minimum payment would be reduced if steel ingot production in Canada is less than 75% of rated capacity.

The advance annual royalty has been recorded as income but provision for depletion of the mining properties has not been made since no ore has yet been produced from them.

BRALORNE RESOURCES LIMITED

(formerly Bralorne Can-Fer Resources Limited)

AND CONSOLIDATED SUBSIDIARIES

9. OTHER CAPITAL ASSETS:

Other capital assets carried at cost, including \$2,478,588 of the acquisition cost of subsidiaries allocated on the basis of appraisals as referred to in Note 1, are as follows:

	1972			1971
	Cost	Accumulated depreciation	Net	Net
Land and improvements.....	\$ 560,716	\$ —	\$ 560,716	\$ 734,141
Buildings.....	1,658,658	607,694	1,050,964	1,007,650
Furniture and fixtures.....	252,104	129,086	123,018	117,390
Portable camps.....	1,678,466	566,886	1,111,580	1,153,910
Construction equipment.....	1,279,090	481,272	797,818	827,000
Industrial machinery and equipment.....	2,776,718	1,466,494	1,310,224	1,276,927
Automotive equipment.....	230,139	84,161	145,978	136,679
Other equipment.....	88,510	29,993	58,517	69,093
	<u>\$8,524,401</u>	<u>\$3,365,586</u>	<u>\$5,158,815</u>	<u>\$5,322,790</u>

10. BANK LOANS:

As security for the term bank loan of \$4,000,000 and an available operating line of credit of \$2,500,000, the Company has issued a debenture for \$6,500,000 providing a first fixed charge over certain assets of the companies including real estate (subject only to an existing mortgage), the long-term receivable and the shares of Bracell and a floating charge over all other assets of the companies.

11. INCOME TAXES:

Management believes that tax allocation accounting as recommended by the Accounting and Auditing Research Committee of the Canadian Institute of Chartered Accountants is not appropriate for companies engaged in extractive industries. Accordingly, in 1972 the Company and its subsidiaries adopted on a retroactive basis the principle of providing in the accounts only for the taxes payable on taxable income for the year. This accounting treatment differs from the tax allocation basis by which the income tax provision is based on income reported in the financial statements.

The reversal in 1972 of deferred income taxes recorded in prior years results in adjustments to earnings and retained earnings previously reported, as follows:

	As previously reported	Provision for deferred income taxes reversed	As restated
Retained earnings			
Balance at beginning of 1971.....	\$1,464,825	\$(61,000)	\$1,403,825
Earnings for 1971.....	151,425	44,000	195,425
Balance at end of 1971.....	<u>\$1,616,250</u>	<u>\$(17,000)</u>	<u>\$1,599,250</u>

If the tax allocation basis had been followed, deferred income taxes would have been provided in 1972 in the amount of \$341,000 (\$.07 per share) and earnings for the year would have been reduced accordingly. Accumulated income tax reductions relating to timing differences amounted to \$842,000 to December 31, 1972. At that date, the Company had accumulated income tax losses aggregating \$585,000 which may be applied in determining future taxable income and which expire in 1974 to 1977.

12. INCENTIVE STOCK OPTION PLAN:

Under the Company's incentive stock option plan, 242,585 shares have been reserved for options which may be granted from time to time to officers and key employees. Options outstanding at December 31, 1972 were as follows:

<u>Year of grant</u>	<u>Term of option</u>	<u>No. of shares</u>	<u>Option price</u>
1970	5 years	70,000	\$2.88
1971	10 years	100,000	1.67
1972	5 years	<u>30,000</u>	2.21
		<u>200,000</u>	

Options granted in 1970 are exercisable cumulatively as to one-fifth of the shares under option each year during the term of the options. Options granted in 1971 and 1972 are exercisable in total or in part at any time during the term of the options. No options were exercised during the year.

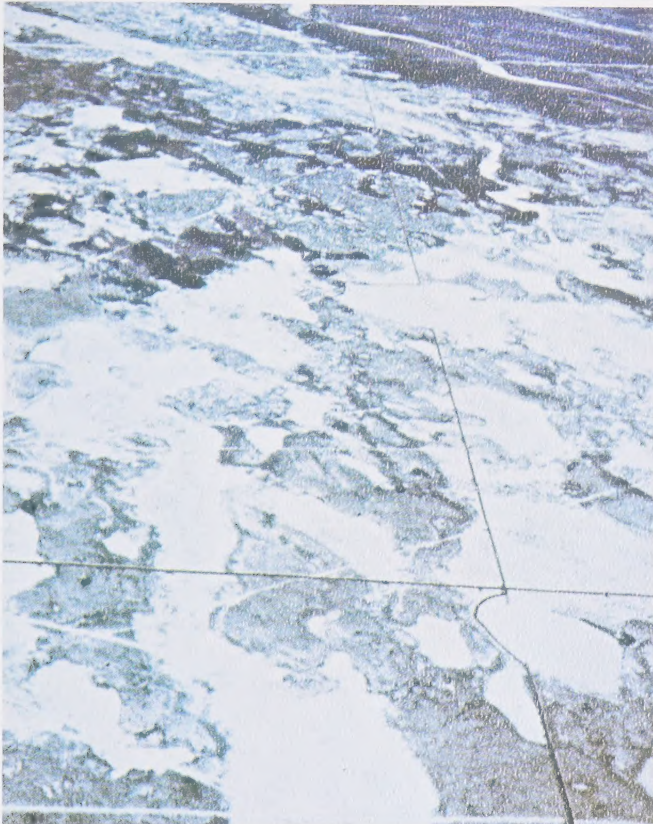
13. COMMITMENTS AND CONTINGENT LIABILITIES:

Contingent additional payments relating to companies acquired in 1971, the amount of which cannot be determined prior to December 31, 1976, are referred to in Note 1. Eagle Industries Limited has entered into a contract (payment of which is guaranteed by Bralorne) for construction of two tugs and four barges at an estimated cost of \$850,000.

14. DIRECTORS' REMUNERATION:

The aggregate remuneration for the year ended December 31, 1972 paid to the Company's directors, including salaries of those holding positions as officers of the Company, amounted to \$94,007.





Seismic lines in the far north



Crown Caterers' warehouse at Inuvik

LEGEND

- Main Highways
- - - Highway Under Construction
- Main Railroads
- ⊙ Mining Locations
- Barber Industries Plants
- Principal Bruce Rome Construction Locations
- * Some Of The Many Crown Caterers' Camps

Bracell Petroleums Limited —

- ▲ Principal Oil Producing Areas
- ▲ Principal Gas Producing Areas



Annual Report 1972

BRALORNE RESOURCES LIMITED

To the Shareholders:

The favourable impact of acquisitions made by the Company at the end of 1971 on operating cash flow and net earnings is reflected in the comparison of results for the first half of 1972 with the previous year. Cash flow from operations before income taxes was \$1,125,000, or 23.2c per share, up sharply from \$63,000, or 1.3c per share last year. Net earnings were \$705,000, or 14.5c per share, compared to \$24,000, or 0.5c per share. Cash flow and net earnings in the second quarter met target expectations, given the fact that several of the Company's operations are tied closely to northern Canadian oil development where operations are concentrated in the December to April winter period.

Although now a major supplier to the oil and gas industry in the north, the Company is moving to expand its operations in this area in anticipation of an acceleration in oil and gas exploration and also probable pipe line construction. Currently, a warehouse to serve the Company's rapidly growing northern catering services is under construction at Inuvik near the Arctic Coast.

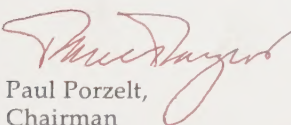
The Company is continuing its exploration program on the Savanna Creek coal property in Alberta. A further three month program of diamond drilling and adit driving commenced in early July. In British Columbia, the Company recently acquired mineral claims in the Robb Lake area and will carry out geophysical and geological work on the claims this summer. This area is receiving considerable interest from several major companies. Additionally, exploration work in the vicinity of the Bradina project is being carried out to expand known ore reserves; this area is also receiving attention from a number of major companies.

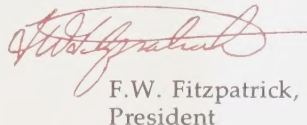
The pre-production phase of the Bradina Joint Venture mine was completed at the end of June. Distinct improvements have been made in metallurgical performance, and dilution of ore has been reduced. Further improvements in mining and metallurgy, combined with a favourable trend in metal prices, should enable the project to begin recovery of investment before the end of the year.

Strong growth was experienced in the Company's oil and gas investments in the first half of 1972. Bracell Petroleum (formerly Bralorne Oil & Gas) which is 51% owned by Bralorne, continued its excellent operating cash flow growth, recording \$390,000 in the first half, up 73% from the same period last year. Shareholders are reminded that while the Company does take up its share of Bracell's net earnings, it does not consolidate cash flow.

Shareholders are asked to note two changes: Firstly, reflecting the broader natural resource base of the Company, its stock listing will be changed from the mining to the industrial section on the Toronto and Vancouver Exchanges, effective August 21, 1972. Secondly, the Company's head office has been moved to 1005 Two Bentall Centre, Vancouver 1, B.C., in order to consolidate all Vancouver based personnel.

Yours very truly,


Paul Porzelt,
Chairman


F.W. Fitzpatrick,
President

August 7, 1972

BRALORNE RESOURCES LIMITED

AR29

SEMI-ANNUAL REPORT
1972

BRALORNE RESOURCES LIMITED
CONSOLIDATED STATEMENT OF EARNINGS FOR THE PERIOD ENDED JUNE 30, 1972
(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	1972	1971	1972	1971
Revenues:				
Sales	\$3,566	\$ 267	\$9,262	\$ 592
Royalty, investment and other income	186	110	407	220
	<u>3,752</u>	<u>377</u>	<u>9,669</u>	<u>812</u>
Expenditures:				
Operating, administrative and general	3,417	364	8,332	749
Interest	123	-	212	-
	<u>3,540</u>	<u>364</u>	<u>8,544</u>	<u>749</u>
Cash flow from operations before income taxes	212	13	1,125	63
Current income taxes (recovery)	(130)	-	180	-
Cash flow from operations	<u>342</u>	<u>13</u>	<u>945</u>	<u>63</u>
Non cash provisions:				
Depreciation and depletion	109	41	282	84
Deferred income taxes	(53)	(11)	19	2
Increase in share of retained earnings of Bracell	(30)	(14)	(63)	(52)
Other	2	1	2	5
	<u>28</u>	<u>17</u>	<u>240</u>	<u>39</u>
Net earnings	<u>\$ 314</u>	<u>\$ (4)</u>	<u>\$ 705</u>	<u>\$ 24</u>
Per share:				
Cash flow from operations — before current income taxes	4.4 c	0.3 c	23.2 c	1.3 c
— after current income taxes	7.1 c	0.3 c	19.5 c	1.3 c
Net earnings	6.5 c	(0.1 c)	14.5 c	0.5 c

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL
FOR THE PERIOD ENDED JUNE 30, 1972
(thousands of dollars)

	Six months ended June 30	
	1972	1971
Source of working capital:		
Cash flow from operations	\$ 945	\$ 63
Disposition of working capital:		
Investment in subsidiary companies	296	-
Investment in Bradina Joint Venture	1,565	-
Exploration expenditures	28	99
Capital expenditures (net)	239	(1)
Repayment of long term debt	224	-
Sundry investments and other	63	128
Payment of tax on undistributed income of subsidiary	171	-
	<u>2,586</u>	<u>226</u>
Working capital change	<u>(1,641)</u>	<u>(163)</u>
Working capital, beginning of period	3,361	2,902
Working capital, end of period	<u>\$1,720</u>	<u>\$2,739</u>

Subject to audit and year end adjustments.